

## Message Text

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43

ACTION COME-00

INFO OCT-01 NEA-09 ISO-00 EB-07 INT-05 TRSE-00 OES-05

FEA-01 CIAE-00 INR-07 NSAE-00 RSC-01 /036 W

----- 017948

R 040615Z FEB 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 0080

INFO AMEMBASSY ABU DHABI

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

UNCLAS JIDDA 0796

E.O. 11652: N/A

TAGS: BEXP, SA

SUBJECT: SAUDI DESALINATION PROJECTS

REF: A. STATE 15747

B. JIDDA A-98, 22 DEC 74

BEGIN SUMMARY: WE WELCOME THE IDEA OF A FACT-FINDING MISSION, BUT ARE NERVOUS ABOUT NEGATIVE CORPORATE ATTITUDES. SEE NO HOPE FOR TALKING SAG INTO HANDING DESAL SECTOR OVER TO THE U.S. WITHOUT FIRST PROVING OUR WORTH. URGE MISSION VISIT AS SOON AS POSSIBLE. END SUMMARY

1. GREATLY APPRECIATE EFFORTS OF WASHINGTON AGENCIES TO STIR UP INTEREST IN SUBJECT PROJECTS. WE HAVE NOT YET HAD OPPORTUNITY TO DISCUSS IN DETAIL WITH DESALINATION AUTHORITIES PROPOSAL FOR VISIT OF FACT-FINDING MISSION, BUT WE ARE REASONABLY CONFIDENT AFTER MENTIONING IT TO HIS ASSISTANT, YUSEF AL AKEEL THAT PRINCE MOHAMED (HEAD OF DESALINATION AGENCY) WILL WELCOME VISIT. NEEDLESS TO SAY, EMBASSY ITSELF HEARTILY CONCURS IN THIS PROPOSAL AND WILL REPORT--

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HOPEFULLY WITHIN A WEEK--AS SOON AS WE HAVE DIS-

CUSSED IT WITH PRINCE MOHAMEE. (WISH TO CALL TO THE ATTENTION OF INTERESTED PARTIES THE INFORMATION ON DESALINATION PROJECTS GIVEN IN REF B. WHILE WE REALIZE THIS DATA IS NO SUBSTITUTE FOR DETAILED SPECIFICATION, FEEL THAT IT CERTAINLY PROVDES GENERAL FRAME OF REFERENCE FOR PRELIMINARY MANAGEMENT EVALUATION.)

2. WE ARE SOMESHAT CONCERNED, HOWEVER, ABOUT THE PRIMA DONNA ATTITUDE APPARENTLY BEING EXHIBITED BY THE INDUSTRY. NO ONE WOULE MAINTAIN THAT THE OPERATING ENVIRONMENT IS IN SAUDI ARABIA IS IDEAL, BUT IF U.S. COMPANIES ARE UNWILLING TO OPERATE UNDER ADVERSE CONDITIONS, THE EUROPEANS AND JAPANESE ARE NOT AND WILL REPLACE US. THE FACT THAT THE LIST OF FOREIGN COMPAINES--INCLUDING U.S.-- SEEKING BUSINESS IN SAUDI ARABIA IS BECOMING LONGER NOT SHORTER IS PRIMA FACIE EVIDENCE THAT FOR SOME, THE PROFITS AVAILABLE HERE MAKE UP FOR THE DIFFICULTIES.

3. SAG IN GENERAL IS BECOMING MORE SOPHISTICATED ABOUT ALWAYS AWARDING CONTRACTS TO THE LOW BIDDER. WHILE PRICE REMAINS A LARGE CONSIDERATION, MORE EFFORT IS GENERALLY BEING PUT INTO EVALUATION OF QUALIFICATIONS AND QUALITY. (CURRENT EXAMPLE OF THIS IS THE FACT THAT ALTHOUGH BIDS FOR THE JIDDA STATE II EXPANSION WERE OPENED LATE NOVEMBER AND THE JAPANESE WERE LOW BIDDER, BID EVALUATION IS STILL IN PROGRESS AND THE COMPETING GERMAN CONSORTIUM STILL VERY MUCH IN THE RUNNING.) HOWEVER, THERE IS LITTLE LIKELIHOOD THAT PRINCE MOHAMED WILL CONTEMPLATE SUBSTANTIAL DEVIATION FROM BASIC TENDERING PROCESS AT LEAST IN THE NEAR FUTURE.

IT MUST ALSO BE RECALLED THAT HIS PREVIOUS EXPERIENCE WITH U.S. DESALTING LEFT HIM SOMEWHAT DISSATISIFIED.

4. IN REGARD TO PARA 6 OF REF A, LIKELIHOOD OF SAG RESERVING DESALINATION SECTOR TO U.S. FIRMS IS VIRTUALLY ZERO. WHILE IT IS TRUE THAT SAG HAS UNCLASSIFIED

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REQUESTED DESALINATION R&D ASSISTANCE, THEY HAVE NO INTENTION OF TURNING THIS SECTOR INTO A PRIVATE HUNTING PRESERVE FOR U.S. COMPANIES AT THE COMMERCIAL LEVEL. WE CONTINUE TO FEEL THAT WESTINGHOUSE IDEA OF LOCAL (OR REGIONAL) FABRICATION OF EVAPORATOR COMPONENTS IS A GOOD ONE. SUCH CREATIVE APPROACHES TO BECOMING MORE PRICE COMPETITIVE WILL BE FAR MORE USEFUL IN CAPTURING THIS

MARKET THAN REQUESTING ARBITRARY PREFERENCES ON  
THE BASIS OF DEMONSTRATED TECHNICAL SUPERI-

ORITY. OFFER OF OWRT SERVICES AS A CONSULTANT  
ALSO WOULD HAVE TO BE HANDLED MOST DELICATELY IN  
VIEW OF PRINCE MOHAMED'S PAST UNSATISFACTORY  
EXPERIENCE WITH OSW.

5. IN SUM, WE ENCOURAGE THE IDEA OF A FACT-FINDING  
MISSION BUT EXHORT U.S. FIRMS TO BE NEITHER  
TOO DISDAINFUL NOR TOO GREEDY. A  
GOOD EXPERIENCE WITH ONE OR TWO INDIVIDUAL \$60  
MILLION PROJECTS MIGHT FORM THE BASIS FOR A PITCH  
TO PRINCE MOHAMED FOR A MORE COMPREHENSIVE ROLE,  
BUT WE SHOULD WALK BEFORE WE RUN.

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